

# **State of Alaska FY2011 Governor's Operating Budget**

## **Department of Administration Lease Administration Component Budget Summary**

## Component: Lease Administration

### Contribution to Department's Mission

The leases program provides cost effective office space for State agencies in a timely manner.

### Core Services

- Procure private lease space for use by the State Executive Branch.
- Manage space and administer over 550 leases with the private sector and leases in State owned facilities.
- Provide space-planning recommendations and retain architectural and engineering services to analyze lease space issues (i.e., structural load capacities).
- Conduct lease rate and lease space availability market research studies.
- Consolidate state owned and/or leased space when economies can be realized.
- Review agency remodel request in leased facilities and obtain lessor's approval.
- Provide space standard recommendations and contract guidance for all State owned office facilities outside the DGS portfolio. The management of maintenance, operations, and deferred maintenance projects for office space, other than the 11 listed in Facilities Administration, is administered by other various state departments (i.e. DMVA, DOT&PF, DNR).

### Results at a Glance

(Additional performance information is available on the web at <http://omb.alaska.gov/results.>)

#### END RESULT A: Maximized effectiveness and efficiency of leased space.

- Renewals and new leases were executed for 14.16% less than market rate in FY2009, exceeding the 5% target.

#### Status of Strategies to Achieve End Result

- In FY2009 73.33% of renewals and new leases were negotiated at below market rates.

### Key Component Challenges

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- Enforce revised space standards to ultimately reduce space needs and associated expenditures.
- Obtain replacement space for leases expiring in FY2010 and FY2011.
- Obtain new or additional space for state agencies as required.
- Continue multi-year task of designing, planning, constructing and relocating departments from private leases for occupancy to the Robert B. Atwood Building and the Palmer State Office Building.
- Administer and manage design, planning, construction and leasing of (3) private ground floor suites in the new Linny Pacillo Parking Garage.
  - Suite 100 – Wildfin Restaurant scheduled to open April 1, 2010
  - Suite 200 – Division of Motor Vehicles potentially occupying in April, 2010.
- Suite 300 – Northrim Bank, opened September 15, 2008.
- Conduct site investigations of lease and owned space to ensure maximum efficiency and improve space management.
- Reduce average lease cost for expiring leases as provided in AS 36.30.083.
- Audit leases and ensure renovation and insurance clauses are enforced.
- Perform site inspection, meet with State occupants and advise lessor of cure issues.
- The following leases have expirations which require renewal or replacement during or before FY2011. When these leases are replaced the cost of a new lease may exceed the limits set in AS 36.30.080 (c), or \$500,000 per year or \$2.5 million for the life of the lease. The Current Annual Cost is defined as the current annual lease cost of the current lease. Replacement of these leases will take place throughout the next fiscal year and the actual replacement costs are not known at the time of budget preparation. A projection of the potential total cost of the replacement leases has been included under Potential Cost of Replacement Lease w/ all Renewal Options. The actual annual and total cost of each lease will be determined by market conditions at the time of solicitation. This list shall serve as the required notification under AS 36.30.080 (c).

| Lease #       | Location  | Agency         | Current Sq Ft | Current Annual Cost | Current Lease Expiration Date | Replacement / New Lease Expiration with all Renewal Options | Potential Cost of Lease with all Renewal Options (commencing w/ occupy) |
|---------------|-----------|----------------|---------------|---------------------|-------------------------------|---|---|
| Extend #1627  | Juneau    | DEED, DOA, DOL | 43,439        | \$1,133,490         | 6/30/10                       | 6/30/20   | \$12,898,910  |
| Extend #1201  | Anchorage | H&SS           | 29,472        | \$615,454           | 9/30/10                       | 9/30/20   | \$9,372,096   |
| Extend #1445  | Anchorage | DOL            | 48,640        | \$928,734           | 10/14/11                      | 10/14/21  | \$15,467,520  |
| Replace #2566 | Anchorage | H&SS           | 15,933        | \$349,889           | 4/30/10                       | 7/31/20   | \$5,642,282   |

## Significant Changes in Results to be Delivered in FY2011

In order to achieve overall lease cost savings a number of strategies will continue in FY2011. In addition to reducing the number of leased facilities, space standards will be used as a guideline to equitably reduce the amount of lease space needed. Expanded boundaries and revised lease solicitation documents will be used to decrease the lessor's requirements and overall lease rate, thus maximizing space efficiency through improved space management.

Continue to utilize State owned space over procuring lease space through the private sector; specifically, with:

- Palmer State Office Building, 81,000 s.f. – Current State Agency occupancy amounts to 15,000 s.f. Additional State occupancy is scheduled for 4/1/10
  - Includes early termination (lease buyouts or backfills by other State agencies) of private leases
- Robert B. Atwood Building –suite #100 (only one private tenant remains)

## Major Component Accomplishments in 2009

- Effectively reduced the average cost of leased space by 14.16% from the market rent.
- Renegotiated 73.33% of expired leases at lower rates.
- Continue to utilize State owned space over procuring lease space through the private sector. Continued enforcement of space standards guidelines, reducing the amount of leased space necessary for State agencies.
- Managed and maintained 100% occupancy in all State owned facilities.
- Opened for public paid use during non business hours the Linny Pacillo Parking Garage. Approximately 435 parking spaces, 10 story facility.
- Initiated discussions with the Mental Health Trust Land Office to construct a new state owned building in Juneau to replace:
  - (1) leased facility - continued problems with mold and flooding
  - (2) State owned buildings – extensive deferred capital improvements needed.
- Implemented ability for DGS to provide mass broadcast email notifications to all lessors.
- Negotiated a land lease with the Municipality of Anchorage for the proposed new Department of Public Safety Crime Lab.

## Statutory and Regulatory Authority

AS 36.30.080                      State Procurement Code  
 AS 44.21.020 (1), (5)        Duties of the Department

| Contact Information   |
|---|
| <p><b>Contact:</b> Vern Jones, Chief Procurement Officer<br/><b>Phone:</b> (907) 465-5684<br/><b>Fax:</b> (907) 465-2189<br/><b>E-mail:</b> Vern.Jones@alaska.gov</p> |

### Lease Administration Component Financial Summary

*All dollars shown in thousands*

|                                | FY2009 Actuals | FY2010<br>Management Plan | FY2011 Governor |
|--------------------------------|----------------|---------------------------|-----------------|
| <b>Non-Formula Program:</b>    |                |                           |                 |
| <b>Component Expenditures:</b> |                |                           |                 |
| 71000 Personal Services        | 846.1          | 914.9                     | 916.1           |
| 72000 Travel                   | 9.8            | 19.0                      | 19.0            |
| 73000 Services                 | 198.5          | 257.8                     | 257.8           |
| 74000 Commodities              | 22.0           | 15.2                      | 15.2            |
| 75000 Capital Outlay           | 0.0            | 0.0                       | 0.0             |
| 77000 Grants, Benefits         | 0.0            | 0.0                       | 0.0             |
| 78000 Miscellaneous            | 0.0            | 0.0                       | 0.0             |
| <b>Expenditure Totals</b>      | <b>1,076.4</b> | <b>1,206.9</b>            | <b>1,208.1</b>  |
| <b>Funding Sources:</b>        |                |                           |                 |
| 1004 General Fund Receipts     | 0.0            | 58.1                      | 59.3            |
| 1007 Inter-Agency Receipts     | 1,076.4        | 1,148.8                   | 1,148.8         |
| <b>Funding Totals</b>          | <b>1,076.4</b> | <b>1,206.9</b>            | <b>1,208.1</b>  |

**Summary of Component Budget Changes  
From FY2010 Management Plan to FY2011 Governor**

*All dollars shown in thousands*

|  | <u>General Funds</u> | <u>Federal Funds</u> | <u>Other Funds</u> | <u>Total Funds</u> |
|--|----------------------|----------------------|--------------------|--------------------|
| <b>FY2010 Management Plan</b>  | <b>58.1</b>          | <b>0.0</b>           | <b>1,148.8</b>     | <b>1,206.9</b>     |
| <b>Adjustments which will continue<br/>current level of service:</b> |                      |                      |                    |                    |
| -FY2011 Health Insurance Cost  | 0.0                  | 0.0                  | 1.2                | 1.2                |
| Increase Non-Covered Employees                                       |                      |                      |                    |                    |
| -Correct Unrealizable Fund Sources                                   | 1.2                  | 0.0                  | -1.2               | 0.0                |
| in the Health Insurance increases                                    |                      |                      |                    |                    |
| for Noncovered Employees   |                      |                      |                    |                    |
| <b>FY2011 Governor</b>   | <b>59.3</b>          | <b>0.0</b>           | <b>1,148.8</b>     | <b>1,208.1</b>     |

**Lease Administration  
Personal Services Information**

| Authorized Positions |                                       |                            | Personal Services Costs          |                |
|----------------------|---------------------------------------|----------------------------|----------------------------------|----------------|
|                      | <u>FY2010<br/>Management<br/>Plan</u> | <u>FY2011<br/>Governor</u> |                                  |                |
| Full-time            | 10                                    | 10                         | Annual Salaries                  | 617,758        |
| Part-time            | 1                                     | 1                          | Premium Pay                      | 1,445          |
| Nonpermanent         | 0                                     | 0                          | Annual Benefits                  | 320,222        |
|                      |                                       |                            | <i>Less 2.48% Vacancy Factor</i> | (23,325)       |
|                      |                                       |                            | Lump Sum Premium Pay             | 0              |
| <b>Totals</b>        | <b>11</b>                             | <b>11</b>                  | <b>Total Personal Services</b>   | <b>916,100</b> |

**Position Classification Summary**

| Job Class Title                | Anchorage | Fairbanks | Juneau   | Others   | Total     |
|--------------------------------|-----------|-----------|----------|----------|-----------|
| Accountant III                 | 0         | 0         | 1        | 0        | 1         |
| Accounting Tech II             | 0         | 0         | 2        | 0        | 2         |
| Administrative Assistant II    | 1         | 0         | 0        | 0        | 1         |
| Analyst/Programmer IV          | 1         | 0         | 0        | 0        | 1         |
| Contracting Officer III        | 5         | 0         | 0        | 0        | 5         |
| State Leasing & Facilities Mgr | 1         | 0         | 0        | 0        | 1         |
| <b>Totals</b>                  | <b>8</b>  | <b>0</b>  | <b>3</b> | <b>0</b> | <b>11</b> |

## Component Detail All Funds

### Department of Administration

**Component:** Lease Administration (2304)

**RDU:** Leases (316)

|                         | FY2009 Actuals | FY2010 Conference Committee | FY2010 Authorized | FY2010 Management Plan | FY2011 Governor | FY2010 Management Plan vs FY2011 Governor |             |
|-------------------------|----------------|-----------------------------|-------------------|------------------------|-----------------|---|-------------|
| 71000 Personal Services | 846.1          | 914.9                       | 914.9             | 914.9                  | 916.1           | 1.2                                       | 0.1%        |
| 72000 Travel            | 9.8            | 19.0                        | 19.0              | 19.0                   | 19.0            | 0.0                                       | 0.0%        |
| 73000 Services          | 198.5          | 257.8                       | 257.8             | 257.8                  | 257.8           | 0.0                                       | 0.0%        |
| 74000 Commodities       | 22.0           | 15.2                        | 15.2              | 15.2                   | 15.2            | 0.0                                       | 0.0%        |
| 75000 Capital Outlay    | 0.0            | 0.0                         | 0.0               | 0.0                    | 0.0             | 0.0                                       | 0.0%        |
| 77000 Grants, Benefits  | 0.0            | 0.0                         | 0.0               | 0.0                    | 0.0             | 0.0                                       | 0.0%        |
| 78000 Miscellaneous     | 0.0            | 0.0                         | 0.0               | 0.0                    | 0.0             | 0.0                                       | 0.0%        |
| <b>Totals</b>           | <b>1,076.4</b> | <b>1,206.9</b>              | <b>1,206.9</b>    | <b>1,206.9</b>         | <b>1,208.1</b>  | <b>1.2</b>                                | <b>0.1%</b> |
| <b>Fund Sources:</b>    |                |                             |                   |                        |                 |   |             |
| 1004 Gen Fund           | 0.0            | 58.1                        | 58.1              | 58.1                   | 59.3            | 1.2                                       | 2.1%        |
| 1007 I/A Rcpts          | 1,076.4        | 1,148.8                     | 1,148.8           | 1,148.8                | 1,148.8         | 0.0                                       | 0.0%        |
| <b>General Funds</b>    | <b>0.0</b>     | <b>58.1</b>                 | <b>58.1</b>       | <b>58.1</b>            | <b>59.3</b>     | <b>1.2</b>                                | <b>2.1%</b> |
| <b>Federal Funds</b>    | <b>0.0</b>     | <b>0.0</b>                  | <b>0.0</b>        | <b>0.0</b>             | <b>0.0</b>      | <b>0.0</b>                                | <b>0.0%</b> |
| <b>Other Funds</b>      | <b>1,076.4</b> | <b>1,148.8</b>              | <b>1,148.8</b>    | <b>1,148.8</b>         | <b>1,148.8</b>  | <b>0.0</b>                                | <b>0.0%</b> |
| <b>Positions:</b>       |                |                             |                   |                        |                 |   |             |
| Permanent Full Time     | 10             | 10                          | 10                | 10                     | 10              | 0   | 0.0%        |
| Permanent Part Time     | 1              | 1                           | 1                 | 1                      | 1               | 0   | 0.0%        |
| Non Permanent           | 0              | 0                           | 0                 | 0                      | 0               | 0   | 0.0%        |



**Change Record Detail - Multiple Scenarios With Descriptions**  
**Department of Administration**

**Component:** Lease Administration (2304)

**RDU:** Leases (316)

| Scenario/Change<br>Record Title  | Trans<br>Type | Totals  | Personal<br>Services | Travel | Services | Commodities | Capital Outlay | Grants, Benefits | Miscellaneous | PFT | Positions<br>PPT | NP |
|--|---------------|---------|----------------------|--------|----------|-------------|----------------|------------------|---------------|-----|------------------|----|
| ***** Changes From FY2010 Conference Committee To FY2010 Authorized *****  |               |         |                      |        |          |             |                |                  |               |     |                  |    |
| FY2010 Conference Committee  | ConfCom       | 1,206.9 | 914.9                | 19.0   | 257.8    | 15.2        | 0.0            | 0.0              | 0.0           | 10  | 1                | 0  |
| 1004 Gen Fund  |               | 58.1    |                      |        |          |             |                |                  |               |     |                  |    |
| 1007 I/A Rcpts   |               | 1,148.8 |                      |        |          |             |                |                  |               |     |                  |    |
| Subtotal   |               | 1,206.9 | 914.9                | 19.0   | 257.8    | 15.2        | 0.0            | 0.0              | 0.0           | 10  | 1                | 0  |
| ***** Changes From FY2010 Authorized To FY2010 Management Plan *****   |               |         |                      |        |          |             |                |                  |               |     |                  |    |
| Subtotal   |               | 1,206.9 | 914.9                | 19.0   | 257.8    | 15.2        | 0.0            | 0.0              | 0.0           | 10  | 1                | 0  |
| ***** Changes From FY2010 Management Plan To FY2011 Governor *****   |               |         |                      |        |          |             |                |                  |               |     |                  |    |
| FY2011 Health Insurance Cost Increase Non-Covered Employees  | SalAdj        | 1.2     | 1.2                  | 0.0    | 0.0      | 0.0         | 0.0            | 0.0              | 0.0           | 0   | 0                | 0  |
| 1007 I/A Rcpts   |               | 1.2     |                      |        |          |             |                |                  |               |     |                  |    |
| Costs associated with Health Insurance Increases.: \$1.2   |               |         |                      |        |          |             |                |                  |               |     |                  |    |
| Correct Unrealizable Fund Sources in the Health Insurance increases for Noncovered Employees   | FndChg        | 0.0     | 0.0                  | 0.0    | 0.0      | 0.0         | 0.0            | 0.0              | 0.0           | 0   | 0                | 0  |
| 1004 Gen Fund  |               | 1.2     |                      |        |          |             |                |                  |               |     |                  |    |
| 1007 I/A Rcpts   |               | -1.2    |                      |        |          |             |                |                  |               |     |                  |    |
| A fund source change from Interagency Receipt authorization to General Fund is requested for health insurance increases for non-covered employees. If this fund source change is not approved, these costs will be passed to customer agencies and will result in unbudgeted cost increases. |               |         |                      |        |          |             |                |                  |               |     |                  |    |
| Totals   |               | 1,208.1 | 916.1                | 19.0   | 257.8    | 15.2        | 0.0            | 0.0              | 0.0           | 10  | 1                | 0  |

**Personal Services Expenditure Detail**  
**Department of Administration**

**Scenario:** FY2011 Governor (7749)  
**Component:** Lease Administration (2304)  
**RDU:** Leases (316)

| PCN  | Job Class Title                | Time Status | Retire Code | Barg Unit | Location  | Salary Sched | Range / Step | Comp Month | Split / Count | Annual Salaries | COLA | Premium Pay | Annual Benefits | Total Costs  | GF Amount |
|--|--------------------------------|-------------|-------------|-----------|-----------|--------------|--------------|------------|---------------|-----------------|------|-------------|-----------------|--|-----------|
| 02-5001  | Division Operations Manager    | FT          | A           | SS        | Juneau    | 2A           | 24B / C      | 3.4        | *             | 24,379          | 0    | 0           | 11,327          | 35,706   | 0         |
| 02-5005  | Chief Procurement Off          | FT          | A           | XE        | Juneau    | AA           | 27M / N      | 1.0        | *             | 11,103          | 0    | 0           | 4,822           | 15,925   | 0         |
| 02-5010  | Contracting Officer III        | FT          | A           | GP        | Anchorage | 2A           | 19B / C      | 10.8       | **            | 53,528          | 0    | 0           | 28,255          | 81,783   | 0         |
| 02-5108  | Administrative Officer I       | FT          | A           | SS        | Juneau    | 2A           | 17B / C      | 3.0        | *             | 13,385          | 0    | 0           | 7,261           | 20,646   | 0         |
| 02-5127  | Contracting Officer III        | FT          | A           | GP        | Anchorage | 2A           | 19B / C      | 10.8       | **            | 52,888          | 0    | 0           | 28,040          | 80,928   | 0         |
| 02-5132  | Accounting Tech II             | PT          | A           | GG        | Juneau    | 2A           | 14J / K      | 11.0       |               | 48,059          | 0    | 0           | 21,384          | 69,443   | 0         |
| 02-5142  | Administrative Assistant II    | FT          | A           | GP        | Anchorage | 2A           | 14B / C      | 6.0        | **            | 21,026          | 0    | 0           | 12,768          | 33,794   | 0         |
| 02-5154  | Contracting Officer III        | FT          | A           | GP        | Anchorage | 2A           | 19G / J      | 10.8       | **            | 62,817          | 0    | 0           | 31,379          | 94,196   | 0         |
| 02-5155  | Accounting Tech II             | FT          | A           | GP        | Juneau    | 2A           | 14C / D      | 0.6        | *             | 2,183           | 0    | 0           | 1,304           | 3,487  | 0         |
| 02-5156  | Contracting Officer III        | FT          | A           | GP        | Anchorage | 2A           | 19A / B      | 10.8       | **            | 52,034          | 0    | 0           | 27,753          | 79,787   | 0         |
| 02-5159  | Accounting Tech II             | FT          | A           | GP        | Juneau    | 2A           | 14E / F      | 12.0       |               | 46,076          | 0    | 0           | 26,888          | 72,964   | 0         |
| 02-5160  | State Leasing & Facilities Mgr | FT          | A           | XE        | Anchorage | AA           | 23K / L      | 6.0        | **            | 50,148          | 0    | 0           | 23,393          | 73,541   | 0         |
| 02-5162  | Accountant III                 | FT          | A           | GP        | Juneau    | 2A           | 18G          | 12.0       |               | 63,888          | 0    | 0           | 32,879          | 96,767   | 0         |
| 02-5164  | Office Assistant II            | FT          | A           | GP        | Anchorage | 2A           | 10G          | 6.0        | *             | 18,575          | 0    | 0           | 11,943          | 30,518   | 0         |
| 02-5165  | Contracting Officer III        | FT          | A           | GP        | Anchorage | 2A           | 19C          | 9.8        | **            | 50,216          | 0    | 0           | 26,192          | 76,408   | 0         |
| 02-5170  | Accountant IV                  | FT          | A           | SS        | Juneau    | 2A           | 20F          | 2.4        | *             | 14,599          | 0    | 0           | 7,118           | 21,717   | 0         |
| 02-5174  | Analyst/Programmer IV          | FT          | A           | GP        | Anchorage | 2A           | 20B          | 6.3        | **            | 32,854          | 0    | 1,445       | 17,516          | 51,815   | 0         |
| <b>Total Positions</b><br><b>Full Time Positions:</b> 10<br><b>Part Time Positions:</b> 1<br><b>Non Permanent Positions:</b> 0 |                                |             |             |           |           |              |              |            |               |                 |      |             |                 | <b>Total Salary Costs:</b> 617,758<br><b>Total COLA:</b> 0<br><b>Total Premium Pay::</b> 1,445<br><b>Total Benefits:</b> 320,222                                     |           |
| <b>Positions in Component:</b> 11      0      0  |                                |             |             |           |           |              |              |            |               |                 |      |             |                 | <b>Total Pre-Vacancy:</b> 939,425<br><b>Minus Vacancy Adjustment of 2.48%:</b> (23,325)<br><b>Total Post-Vacancy:</b> 916,100<br><b>Plus Lump Sum Premium Pay:</b> 0 |           |
| <b>Total Component Months:</b> 122.7   |                                |             |             |           |           |              |              |            |               |                 |      |             |                 | <b>Personal Services Line 100:</b> 916,100   |           |

| PCN Funding Sources:       | Pre-Vacancy    | Post-Vacancy   | Percent        |
|----------------------------|----------------|----------------|----------------|
| 1007 Inter-Agency Receipts | 939,425        | 916,100        | 100.00%        |
| <b>Total PCN Funding:</b>  | <b>939,425</b> | <b>916,100</b> | <b>100.00%</b> |

Note: If a position is split, an asterisk (\*) will appear in the Split/Count column. If the split position is also counted in the component, two asterisks (\*\*) will appear in this column. [No valid job title] appearing in the Job Class Title indicates that the PCN has an invalid class code or invalid range for the class code effective date of this scenario.

**Personal Services Expenditure Detail**  
**Department of Administration**

**Scenario:** FY2011 Governor (7749)  
**Component:** Lease Administration (2304)  
**RDU:** Leases (316)

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